

Cracking the nut

August 19, 2007

Baltimore's high property-tax rate is a major deterrent to potential homeowners who might otherwise choose to live in the city. And yet, past efforts to reduce the rate of \$2.28 per \$100 of assessed valuation have been neither serious nor significant enough to make a difference.

But it doesn't have to be that way. A group of civic leaders, meeting regularly since April, is looking at ways to cut the tax rate beyond the occasional 2 cents and still generate money to meet city needs. These leaders are doing the hard work required for Baltimore to get serious about reforming its financing structure, really compete with neighboring counties and increase the city's population.

Although we are not endorsing any specific proposals, we find it refreshing that they are exploring creative ways to lower Baltimore's high property-tax rate and thus eventually improve the city's overall tax base. This should be the beginning of healthy, open discussion on the issue.

The Committee on Taxes and Fees has been reviewing sacred cows (a sanitation fee instead of financing trash pickup through the property tax), identifying new income streams (a city sales tax), and daring to include unpopular measures (a 1 percent commuter tax).

The group's menu of options so far undercuts the notion that the city can't afford to reduce the property-tax rate.

For example, a 1 percent city sales tax would generate \$62.1 million, allowing for a 20-cent reduction in the tax rate. The difficulty: It would require approval from the state legislature, which may be looking at increasing the state sales tax to offset its budget woes.

Also discussed:

- An additional 1 percent tax on wages earned in the city would produce about \$48.7 million in revenue, which would translate into a 16-cent reduction in the property-tax rate;
- An increase in the state Homestead Property Tax Credit, which limits the increase in a homeowner's taxable assessment, from 4 percent to 10 percent;
- A change in state law to impose the real estate transfer tax on property transactions between limited liability corporations, a loophole and a tax dodge for commercial property owners.

When the committee delivers its final report and recommendations to City Hall this fall, it should command a prominent place on the mayor's desk, and not end up in a bottom drawer.